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**ANNUAL AUDITED REPORT**  
**FORM X-17A-5**

**PART III**  
Washington DC  
409 FACING PAGE

SEC FILE NUMBER
8- 39730

**Information Required of Brokers and Dealers Pursuant to Section 17 of the Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

DD

REPORT FOR THE PERIOD BEGINNING 01/01/15 AND ENDING 12/31/15  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Lafayette Investments, Inc.

OFFICIAL USE ONLY
FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

7910 Woodmont Avenue, Suite 905  
(No. and Street)

Bethesda  
(City)

MD  
(State)

20814  
(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Kaiser Scherer + Schlegel, PLLC  
(Name - if individual, state last, first, middle name)

1410 Spring Hill Road  
(Address)

McLean, VA  
(City)

22102  
(State)

22102  
(Zip Code)

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

AS

OATH OR AFFIRMATION

I, Lawrence Judge, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Lafayette Investments, Inc., as of December 31, 20 15, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

expires: 9/2/18

  
Signature

President  
Title

  
Notary Public

This report \*\* contains (check all applicable boxes):

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

# **Lafayette Investments, Inc.**

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Report of Independent Registered Public Accounting  
Firm and Statement of Financial Condition  
December 31, 2015

# **Lafayette Investments, Inc.**

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### Report of Independent Registered Public Accounting Firm

Statement of Financial Condition 1

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders  
of **Lafayette Investments, Inc.**

We have audited the accompanying statements of financial condition of Lafayette Investments, Inc. as of December 31, 2015 and 2014, and the related notes to the financial statements. These financial statements are the responsibility of Lafayette Investments, Inc.'s management. Our responsibility is to express an opinion on this financial statement based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the statements of financial condition are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial position. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement of financial position presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the statements of financial condition referred to above presents fairly, in all material respects, the financial position of Lafayette Investments, Inc. as of December 31, 2015 and 2014 in accordance with accounting principles generally accepted in the United States of America.

*Kaiser Scherer & Schlegel, PLLC*

McLean, VA

February 22, 2016

# Lafayette Investments, Inc.

## Statements of Financial Condition

<i>December 31,</i>	<b>2015</b>	<b>2014</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 1,614,025	\$ 1,538,317
Receivable from clearing broker	145,953	182,753
Securities owned		
Marketable, at market value	2,604,523	4,088,905
Property and equipment, net	17,997	28,755
Other assets	85,314	85,062
<b>Total assets</b>	<b>\$ 4,467,812</b>	<b>\$ 5,923,792</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Liabilities</b>		
Payable to clearing broker	\$ 2,590,749	\$ 4,085,889
Accounts payable, accrued expenses and other liabilities	171,229	196,830
<b>Total liabilities</b>	<b>2,761,978</b>	<b>4,282,719</b>
<b>Shareholders' equity</b>		
Common stock, \$.01 par value; 10,000 authorized, 662 shares issued and outstanding	7	7
Paid in capital	403,270	403,270
Retained earnings	1,302,557	1,237,796
<b>Total shareholders' equity</b>	<b>1,705,834</b>	<b>1,641,073</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 4,467,812</b>	<b>\$ 5,923,792</b>

*The accompanying notes are an integral part of these financial statements.*

# Lafayette Investments, Inc.

## Notes to the Financial Statements

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### 1. Organization

Lafayette Investments, Inc. (the "Company") was incorporated in March 1988, under the laws of the state of Delaware. The Company, which is registered under the Securities Exchange Act of 1934 as a broker-dealer, introduces and forwards all customer accounts to a broker who clears the accounts on a fully disclosed basis. The Company is also a registered investment adviser under the Investment Advisers Act of 1940.

The Company has offices in Bethesda, Maryland and Ashton, Maryland.

### 2. Significant Accounting Policies

#### *Securities Transactions*

The Company records securities transactions and the related revenues and expenses on the trade date, as if the transactions have settled. Marketable securities are reported at fair value and securities not readily marketable are reported at fair value as determined by management. The resulting difference between cost and fair value is included in income.

#### *Commissions*

Commissions and related clearing expenses are recorded on a trade-date basis as securities transactions occur.

#### *Investment Advisory Income*

Investment advisory fees are billed quarterly in advance and the income is recognized as it is earned.

#### *Income Taxes*

The Company accounts for income taxes in accordance with FASB ASC Topic 740, *Income Taxes*, which requires deferred-tax assets and liabilities to be determined based on differences between the financial statement carrying amounts and the tax basis of existing assets and liabilities (i.e., temporary timing differences) and to be measured at the enacted rates that will be in effect when these differences reverse.

# Lafayette Investments, Inc.

## Notes to the Financial Statements (continued)

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The Company utilizes statutory requirements for its income tax accounting, and avoids risks associated with potentially problematic tax positions that may incur challenge upon audit, where an adverse outcome is more likely than not. Therefore, no provisions are made for either uncertain tax positions nor accompanying potential tax penalties and interest for underpayments of income taxes in the Company's tax reserves. In accordance with ASC Topic 740, the Company may establish a reserve against deferred tax assets in those cases where realization is less than certain.

The Company files income tax returns in the United States (federal) and in the state of Maryland. In most instances, the Company is no longer subject to federal and state income tax examinations by tax authorities for years prior to 2012, and is not currently under examination by any federal or state jurisdiction. It is not anticipated that unrecognized tax benefits will significantly change in the next twelve months.

### *Cash and Cash Equivalents*

The Company considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. Cash equivalents are principally held on deposit with The Company's clearing broker. Cash, cash equivalents and deposits are carried at cost which approximates fair value.

### *Depreciation*

Property and equipment consist of furniture and office equipment. Depreciation of furniture and office equipment is recorded on an accelerated basis over a seven-year life and five-year life, respectively.

### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

# Lafayette Investments, Inc.

## Notes to the Financial Statements (continued)

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### *Reclassifications*

Certain prior period amounts have been reclassified to conform to current year presentation.

### *Date of Management's Review*

Management evaluated subsequent events through February 22, 2016, the date these financial statements were available to be issued, and there were no subsequent events that required disclosure.

### **3. Property and Equipment**

Property and equipment consisted of the following:

<i>December 31,</i>	<b>2015</b>	<b>2014</b>
Furniture	\$ 72,882	\$ 72,882
Office equipment	113,337	110,499
Property and equipment, at cost	186,219	183,381
Accumulated depreciation and amortization	(168,222)	(154,626)
Property and equipment, net	\$ 17,997	\$ 28,755

Depreciation and amortization expense for the years ended December 31, 2015 and 2014 was \$13,596 and \$16,185, respectively.

### **4. Securities Owned**

The Company owns marketable securities that represent trading and investment securities carried at quoted market prices. As of December 31, 2015 and 2014, these marketable securities, which consisted of state and municipal obligations, totaled \$2,604,523 and \$4,088,905, respectively.

# Lafayette Investments, Inc.

## Notes to the Financial Statements (continued)

### 5. Fair Value Measurements on a Recurring Basis

The Company accounts for its financial instruments at fair value, which is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The accounting standards related to fair value measurements include a hierarchy for information and valuations used in measuring fair value that is broken down into three levels based on reliability, as follows:

- Level 1 – Inputs to valuation methodology are quoted prices (unadjusted) for identical assets or liabilities traded in active markets.
- Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability and market-corroborated inputs.
- Level 3 – Inputs to the valuation methodology are unobservable for the asset or liability and are significant to the fair value measurement.

The following table presents the asset balances measured at fair value on a recurring basis as of December 31, 2015:

	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	\$ 1,614,025	\$ -	\$ -	\$ 1,614,025
Municipal bonds	\$ -	\$ 2,604,523	\$ -	\$ 2,604,523

The following table presents the asset balances measured at fair value on a recurring basis as of December 31, 2014:

	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	\$ 1,538,317	\$ -	\$ -	\$ 1,538,317
Municipal bonds	\$ -	\$ 4,088,905	\$ -	\$ 4,088,905

In determining the fair value of its assets and liabilities, the Company predominately uses the market approach. Securities included in Level 2 are valued utilizing inputs obtained from an independent pricing service. The Company reviews the values generated by the independent pricing service for reasonableness by comparing the valuations received from

# Lafayette Investments, Inc.

## Notes to the Financial Statements (continued)

the independent pricing service to valuations from at least one other observable source for each security held. The Company has not adjusted the prices obtained from the independent pricing service.

### 6. Income Taxes

The provision for income taxes differs from the amount that would be obtained by applying Federal statutory rates primarily due to the difference in accounting for depreciation expense on a tax basis, non-deductible meals and entertainment, limited deduction of charitable contributions, and interest revenue earned on U.S. Treasury securities that is not taxed at the local level. Deferred income taxes are the result of temporary differences between the financial statement carrying amounts of assets and liabilities and their tax basis, and mainly related to differences between the basis of fixed assets and investments for financial and income tax purposes.

As of December 31, 2015, the Company has charitable contribution carryovers of \$30,241 that may be used to offset future taxable income through December 31, 2020.

The provision for income tax expense consists of the following:

<i>Year ended December 31,</i>	<b>2015</b>	<b>2014</b>
Current provision for income tax expenses:		
Federal	\$ 36,970	\$ 41,107
State	12,386	13,298
Total current provision for income tax expenses	49,356	54,405
Deferred income tax benefit		
Federal	(1,125)	(3,002)
State	(343)	(915)
Total deferred income tax expense benefit	(1,468)	(3,917)
Total provision for income tax expenses	\$ 47,888	\$ 50,488

# Lafayette Investments, Inc.

## Notes to the Financial Statements (continued)

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### 7. Payable to Clearing Broker

The Company's clearing broker provides financing, collateralized by state and municipal obligations and corporate bonds, at the broker call rate less 50 basis points, or 1.75% as of December 31, 2015 and 1.50% as of December 31, 2014. The Company earns interest on the bonds during the period in which they are held in inventory. The carrying value of the payable to clearing broker approximates the fair value based on current market rates and conditions.

### 8. Employee Retirement Plan

The Company maintains a 401(k) Profit Sharing Plan which covers substantially all employees. Contributions to the profit sharing plan are at the discretion of the Board of Directors. Pension expense and a corresponding liability for employer contributions for the years ended December 31, 2015 and 2014 was \$96,244 and \$106,014, respectively.

### 9. Net Capital Requirements

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule 15c3-1, which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. As of December 31, 2015, the Company had net capital of \$1,442,867, which was \$1,342,867 in excess of its required net capital of \$100,000. The Company's aggregate ratio of indebtedness to net capital as of December 31, 2015 was 0.12 to 1.

### 10. Concentration of Credit Risk

The Company engaged in various trading and brokerage activities in which counterparties primarily include broker-dealers, banks, and other financial institutions. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. The Company periodically reviews the credit standing of its counterparties.

### 11. Commitments

The Company leases office space, equipment and access to financial data under various operating lease agreements. The Company's operating lease expenses for the years ended December 31, 2015 and 2014 were \$211,606 and \$207,013, respectively.

# Lafayette Investments, Inc.

## Notes to the Financial Statements (continued)

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Future minimum lease commitments as of December 31, 2015 for all non-cancelable operating leases are as follows:

*Year ended December 31,*

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2016	\$	185,683
2017		134,408
2018		92,899
2019		96,615
2020		66,105

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<b>Total</b>	<b>\$</b>	<b>575,710</b>
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February 23, 2016

SEC Headquarters  
100 F Street, NE  
Washington, DC 20549

SEC  
Mail Processing  
Section

FEB 25 2016

Washington DC  
409

Dear Sir or Madam:

On behalf of Lafayette Investments, Inc., I have enclosed our annual audited financial statements and Exemption Report for the year ended December 31, 2015.

Yours Very Truly,

Lawrence Judge  
President

Enclosures

